

A LEGISLATOR'S GUIDE TO THE MASSACHUSETTS QUASI PUBLIC CORPORATIONS

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CONSTITUENT INFORMATION RECORD

A LEGISLATOR'S GUIDE TO THE MASSACHUSETTS QUASI PUBLIC CORPORATIONS is designed to help you assist your constituents. Please ask your constituent to provide the following information:

Name _____

Position _____

Organization _____

Address _____

Phone _____

What type of assistance does your constituent's business or activity need?

- Business financing/capital formation
- Housing/real estate development
- Human resource development/training
- Research and development

Using these categories, please refer to the Table in Section I of **A LEGISLATOR'S GUIDE**.

The services that each of the quasi public corporations provide are described in Section II. The descriptions can be duplicated for constituent use.

Please list the name(s) of the quasi public corporations that you referred your constituents to:

Please duplicate additional forms as needed.

**A LEGISLATOR'S GUIDE
TO THE
MASSACHUSETTS
QUASI PUBLIC CORPORATIONS**

GOVERNMENT DOCUMENTS
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Developed by:

A Collaborative of the Massachusetts Quasi Public Corporations
and
The University of Massachusetts,
Institute for Governmental Services



Table of Contents

	Page
Acknowledgements	i
I. Introduction	1
II. Organization Descriptions:	
Bay State Skills Corporation (BSSC)	2
Community Development Finance Corporation (CDFC)	5
Community Economic Development Assistance Corporation (CEDAC)	7
Industrial Services Program (ISP)	10
Massachusetts Business Development Corporation (MASS BUSINESS)	12
Massachusetts Capital Resource Company (MCRC)	14
Massachusetts Centers of Excellence Corporation (MCEC)	17
Massachusetts Corporation for Educational Telecommunications (MCET)	20
Massachusetts Government Land Bank (Land Bank)	22
Massachusetts Housing Finance Agency (MHFA)	25
Massachusetts Industrial Finance Agency (MIFA)	29
Massachusetts Product Development Corporation (MPDC)	33
Massachusetts Small Business Development Center (MSBDC)	35
Massachusetts Technology Development Corporation (MTDC)	39
Massachusetts Technology Park Corporation (MTPC)/ Massachusetts Microelectronics Center (M ² C)	42
Thrift Institutions Fund for Economic Development (THRIFT FUND)	44
III. Glossary of Terms	47

Acknowledgements

A LEGISLATOR'S GUIDE TO THE MASSACHUSETTS QUASI PUBLIC CORPORATIONS is a response to the desire of legislators and their staff to provide constituents with complete information about the array of assistance available from selected Massachusetts quasi public corporations. The Guide is the product of a collaborative effort including 16 quasi public corporations, their Legislative Liaison Subcommittee, and the University of Massachusetts, Institute for Governmental Services (UMass/IGS).

During the fall of 1987 a series of interviews conducted with legislators and legislative staff by UMass/IGS revealed an overwhelming need for a "roadmap" to the quasi public corporations. A prototype, nicknamed the Roadmap, was developed and reviewed by the leaders of the collaborating quasi public corporations for presentation to a nucleus of the legislators and staff members interviewed earlier. Their reaction was enthusiastic and their comments were constructive. Encouraged by this positive feedback, we proceeded to develop the complete document during the summer and fall of 1988.

We are grateful for the help of many people who have worked to make **A LEGISLATOR'S GUIDE** successful. The legislators and legislative staff members who agreed to be interviewed gave us indispensable advice on what information was needed and how best to present it. The leaders of the quasi public corporations and their staff actively worked with us to provide information about their organizations and to review the document in its various stages of development.

This project would not have been possible without the University of Massachusetts, Institute for Governmental Services, particularly Dr. J. Lynn Griesemer and her staff. She developed and conducted the initial interviews, interpreted the data, helped design the format, wrote the prototype, and oversaw the development of **A LEGISLATOR'S GUIDE** while retaining her perspective and good nature. Working with her at various stages of the process have been other Institute staff and consultants: Dana Edelman for research and writing, and Richard Lussier for design and graphics. Others assisting in the process were Dr. Peter Bittel, Jackie Geswell, George Hughes, Eileen Kriesman, and Janice Raftery.

While many people share the credit for **A LEGISLATOR'S GUIDE**, the thirteen quasi public corporations listed below who co-sponsored it bear full responsibility for its contents.

Signed

The Legislative Liaison Subcommittee of the collaborating Quasi Public Corporations

Samuel Leiken, *Subcommittee Chair*,
Massachusetts Product Development Corporation
Sally Chalfant, *Massachusetts Industrial Finance Agency*
Richard Demers, *Community Development Finance Corporation*
John Hodgman, *Massachusetts Technology Development Corporation*
Susan Moulton, *Bay State Skills Corporation*
Barbara Ryther, *Massachusetts Housing Finance Agency*
Karl Seidman, *Massachusetts Government Land Bank*

Co-sponsoring Quasi Public Corporations: *Bay State Skills Corporation, Community Development Finance Corporation, Community Economic Development Assistance Corporation, Industrial Services Program, Massachusetts Centers of Excellence Corporation, Massachusetts Corporation for Educational Telecommunications, Massachusetts Government Land Bank, Massachusetts Housing Finance Agency, Massachusetts Industrial Finance Agency, Massachusetts Product Development Corporation, Massachusetts Technology Development Corporation, Massachusetts Small Business Development Center, Thrift Institutions Fund for Economic Development.*

January 1989

A LEGISLATOR'S GUIDE TO THE MASSACHUSETTS QUASI PUBLIC CORPORATIONS is designed to help legislators and their staff enable their constituents to access the variety of state-supported assistance programs available to them.

In order to make the best use of this book it is important to clarify what type of assistance your constituent needs:

- Business financing/capital formation
- Housing/real estate development
- Human resource development/training
- Research and development

These four categories, and further subcategories, appear across the top of the Table on the following page. The names of the 16 quasi public corporations appear on the left along with the page number in Section II where you can find a detailed description of the services provided by that specific organization. Please feel free to send copies of appropriate descriptions to your constituents.

Many of the terms used in the descriptions are technical in nature. These are boldfaced and italicized. A definition of each of these technical terms is provided in the Glossary in Section III.

HOW TO USE THIS TABLE

This Table is designed to help users of **THE LEGISLATOR'S GUIDE** identify those quasi public corporations which offer the types of assistance they are seeking. The following is an explanation of the terms that appear on the horizontal axis of the Table.

BUSINESS FINANCING / CAPITAL FORMATION

- **Fixed Asset Financing** - financing for permanent assets such as buildings, equipment, fixtures, furniture, land, machinery.
- **Working Capital** - financing for continued and/or expanded operation of a business.
- **Risk or Venture Capital** - funds to invest in a business when conventional sources are not available.
- **Start-up Capital** - funds necessary to initiate a business.

HOUSING / REAL ESTATE DEVELOPMENT

- **Affordable Housing Development** - financing for residential housing development.
- **Commercial or Industrial Development** - financing for commercial or industrial real estate development.
- **Home Ownership** - financing for individuals seeking loan subsidies or other assistance to enable them to purchase their own homes.

HUMAN RESOURCE DEVELOPMENT / TRAINING

- **Companies or Institutions** - funds available for on-the-job or re-employment training programs.
- **Individuals** - assistance for people seeking job counseling or skills training.

RESEARCH AND DEVELOPMENT

- **Grants or Programs** - funds that support research and development are specific to each organization. Current programs supported by the specified organizations are described in detail in Section II.

Table 1: The Services of the Quasi Public Corporations

A s s i s t a n c e f o r :

Business Financing/Capital Formation

**Housing/Real Estate
Development**

**Human Resource
Development/Training Research and
Development**

Name of Organization	Page # in Sect. II	Fixed Asset Financing	Working Capital	Risk or Venture Capital	Start-up Capital	Affordable Housing Development	Commercial or Industrial Development	Home Ownership	Companies or Institutions	Individuals	Grants or Programs
Bay State Skills Corporation (BSSC)	2										
Community Development Finance Corporation (CDFC)	5										
Community Economic Development Assistance Corporation (CEDAC)	7										
Industrial Services Program (ISP)	10										
Massachusetts Business Development Corporation (Mass Business)	12										
Massachusetts Capital Resource Company (MCRC)	14										
Massachusetts Centers of Excellence Corporation (MCEC)	17										
Massachusetts Corporation for Educational Telecommunications(MCET)	20										
Massachusetts Government Land Bank (Land Bank)	22										
Massachusetts Housing Finance Agency (MHFA)	25										
Massachusetts Industrial Finance Agency (MIFA)	29										
Massachusetts Product Development Corporation (MPDC)	33										
Massachusetts Small Business Development Center (MSBDC)*	35										
Massachusetts Technology Development Corporation (MTDC)	39										
MTPC/Massachusetts Microelectronics Center (M ² C)	42										
Thrift Institutions Fund for Economic Development (Thrift Fund)	44										

* Primarily management and technical assistance counseling; no financing is available.

BACKGROUND

The Bay State Skills Corporation (BSSC) funds programs at educational institutions to train people in skills needed by industry. By mandate, its mission is to "encourage and facilitate the formation of cooperative relationships between business and industry, labor, government and education to develop and expand programs of skills training that are consistent with employment needs."

BSSC programs aim to:

- Provide business and industry with the skilled people needed to keep Massachusetts economically competitive;
- Help individuals who find themselves in economic disadvantage to acquire the skills they need to become economically independent;
- Translate the skills and employment needs of industry into responsive programs in the Commonwealth's educational institutions.

Created by the Legislature in 1981, BSSC has worked with over 1,500 private companies to train 28,000 people. In an average year, BSSC spends \$4.7 million to leverage \$4.3 million in private funds, resulting in the creation, retention or enhancement of some 2,500 jobs.

TYPES OF ASSISTANCE

Bay State Skills Corporation currently administers three programs. They are:

1. Industry Responsive Training -- The "50/50" Program. BSSC allocates almost \$2 million each year to set up programs to respond to specific human resource needs of industry. The 50/50 Matching Grant Program places no restrictions on the level, duration or subject area of training. For example, it can: target any level, from basic skills to post-graduate education; range from several weeks to 18 months; and cover any discipline, from biotechnology to management to computer programming; train hourly workers, supervisors or managers. The one requirement is that the program provide skills training in employment areas where there is demonstrated demand. An industry or business partner is required for each BSSC grant. The private sector partner must provide at least 50% of program costs in cash or in-kind to the educational institution where the program takes place.
2. ET Choices. The Massachusetts ET (Employment and Training) Choices Program prepares welfare recipients for employment opportunities. The ET Choices Program is operated by the state Department of Public Welfare (DPW) to provide skills training to recipients of Aid to Families with Dependent Children (AFDC) and General Relief (GR) as an alternative to welfare. For over four years, BSSC has subcontracted with the DPW and awarded an average of \$1 million annually in program grants, training more than 400 people each year for jobs paying close to \$15,000 (plus benefits) in 1988. The private sector match for these programs has exceeded \$500,000 each year.
3. Bay State Centers for Displaced Homemakers (DH). BSSC funds the operation of 5 regional centers and 20 satellite offices across the state. These offer personal and career counseling to displaced homemakers who need to enter the job market due to the death or disability of a spouse, divorce or loss of public assistance. The centers offer counseling, referral, job training and placement services to help displaced homemakers through the difficult transition to economic independence.

TERMS OF ASSISTANCE

BSSC will only fund the costs of the education and training institutions that implement the training programs. BSSC requires a 20-50% resource match from the private sector, depending on the program.

ELIGIBILITY

Only educational institutions are eligible for BSSC grants. BSSC requires that business/academic partners demonstrate a real demand in the workforce for the skills or knowledge to be addressed by the proposed program.

APPLICATION PROCEDURES

Proposed projects undergo the following general procedures:

- Initial informal contact may be made by a company, an educational institution, or both.
- The educational institution prepares and submits a proposal, including specific information about the business partner's cash or in-kind match.
- BSSC's Board of Directors reviews all proposals at its quarterly meetings.
- Awards are made upon Board approval.

PUBLICATIONS

Annual Report

Brochures: BSSC

Displaced Homemakers

ET Choices Program

Special Institutes

Enabling Legislation

Fact Sheets: Available for each program

Request for Proposals

CONTACT

Susan K. Moulton, Executive Director

-or-

Fenna Hanes, Director of Marketing and Communications

Bay State Skills Corporation

101 Summer Street

Boston, MA 02110

(617) 292-5100

EXAMPLE OF ASSISTANCE

BSSC has awarded just under \$90,000 to the University of Massachusetts, Institute for Governmental Services (IGS) to implement a seven-month program of training in Statistical Process Control (SPC) for 90 managers, supervisors and production workers employed by 19 plastic companies located in Western Massachusetts. The companies joined together because of their need to increase their overall productivity and improve both worker output and quality of their end-product. The BSSC grant for this program was matched by \$127,624 in resources from the private sector. The training involves classes on SPC as well as assistance with on-site implementation. The University is applying an interdisciplinary training approach, calling on faculty from the departments of Industrial Engineering, Business Management, Psychology and Sociology. As a result of this successful program, both the School of Engineering and the Management School are designing a new joint field of study in quality management in their respective programs. The companies intend to reapply these lessons to train increasing numbers of employees toward the ongoing enhancement of productivity and improved competitiveness.

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BACKGROUND

The Community Development Finance Corporation (CDFC) is a state-owned *venture capital* company which provides flexible financing for *working capital* and real estate development projects with a demonstrated potential for public benefit. CDFC assistance aims to increase employment and affordable housing opportunities in low-income areas in Massachusetts. Such financing is offered through partnerships with local Community Development Corporations (CDCs). Most CDFC projects involve private investors in partnerships with public sector institutions to assist local development efforts.

CDFC aims to:

- Create or retain skilled jobs in low-income neighborhoods;
- Stabilize deteriorating business districts;
- Work with and support CDCs to develop affordable housing and revitalize commercial and industrial property;
- Streamline the process of providing smaller amounts of capital to small businesses operating within CDC target areas.

Created in 1975, CDFC has already invested \$20 million in small business and real estate development projects. In July 1987, a recapitalization bill passed by the Legislature authorized a new investment of \$5 million in CDFC over two years.

TYPES OF ASSISTANCE

Internal Investment Programs. CDFC offers three investment programs for economic and community development: the Venture Capital Program, the Community Development Program and the Small Loan Guarantee Program.

1. The Venture Capital Program provides *debt* and *equity* financing to small businesses. The typical investment range is \$75,000-\$300,000 with CDFC providing up to one third of the total project financing.
2. The Community Development Program offers flexible short-to-medium term financing for CDC-sponsored real estate projects. The program is designed to assist CDCs in developing affordable housing, revitalizing commercial and industrial property, and strengthening their developmental and financial capacity. CDFC can provide 20% of a project's cost, up to \$250,000, for financing specific and recoverable development expenses.
3. The Small Loan Guarantee Program broadens the availability of commercial credit to very small businesses located in CDC target areas. CDFC's loan to the CDC provides the cash collateral to secure a guarantee of 50%, up to \$25,000, of an approved bank loan to a small business.

Technical Assistance. Within the 1987 legislation, there is a \$1 million funding authorization that enables CDFC to establish a Minority and Women's Contractor Bonding Program. This pilot program will assist minority and women-owned firms to obtain the *surety bonds* and *working capital* required for participation in the construction business in Massachusetts.

Thrift Fund. CDFC is one of the five loan origination agencies for the Thrift Fund (see pages 44-46), a lending pool created by the savings banks.

TERMS OF ASSISTANCE

Terms vary. See description of programs under "TYPES OF ASSISTANCE".

ELIGIBILITY

CDFC funds are available to those projects which:

- Have a clear public benefit;
- Can demonstrate the potential for financial viability;
- Are unable to meet their capital needs in the traditional markets;
- Have the sponsorship of an eligible CDC.

APPLICATION PROCEDURES

Applicants should contact CDFC to request an "Investment Programs" booklet that includes a description of the loan programs, qualifications and an application form. The CDFC Board of Directors meets monthly to vote on approval of loan proposals.

PUBLICATIONS

Annual Report
Booklet - *Investment Programs*
Brochure
Newsletters

CONTACT

Milton J. Benjamin, Jr., President
Community Development Finance Corporation
131 State Street, Suite 600
Boston, MA 02109
(617) 742-0366

EXAMPLE OF ASSISTANCE

Connolly Data Systems, Inc. is a micro systems integrator for office automation, telecommunications and networking. Due to the rapid growth of Connolly as a major source of computer networking systems, the company experienced large working capital needs. CDFC's \$350,000 investment, in conjunction with a revolving line of credit from First Bank of Lowell, will support Connolly in achieving its sales and profit potential. The Lowell CDC, Coalition for A Better Acre, sponsored this financing because the growth of the company will create new job opportunities for area residents.

BACKGROUND

The **Community Economic Development Assistance Corporation (CEDAC)** assists nonprofit developers to create affordable housing and revitalize economically depressed areas. CEDAC provides technical assistance to community organizations to help them prepare the plans and documents they need to get a development project started. They also make *short-term*, interest-free *loans* to qualified nonprofit developers to cover the early soft costs of planning development projects and securing site control. In some cases, CEDAC will provide credit enhancements to leverage financing in critical stages later in a project's development.

In making loans and providing technical assistance, CEDAC has three goals:

- To promote real estate development that revitalizes chronically depressed areas;
- To encourage the development of affordable housing throughout Massachusetts;
- To strengthen the network of nonprofit community development organizations in the state.

CEDAC is a quasi public corporation established under Chapter 40H of the Massachusetts General Laws in 1978. In the two years covering FY87 and FY88, CEDAC made a total of 210 loans to 127 projects, to advance the development or rehabilitation of almost 7,000 units of housing statewide. These loans totalled \$2.6 million and leveraged \$364 million in total development costs. CEDAC also committed \$2 million for five loan guarantees through the Equity Financing Guarantees Program.

TYPES OF ASSISTANCE

CEDAC offers four Development Assistance Programs:

1. Technical Assistance Advances. Although a mortgage will cover fees to architects, engineers, attorneys and development consultants, banks won't approve a *mortgage* without fully developed plans that require the help of all these specialists in advance. CEDAC's Technical Assistance Advances of up to \$40,000 allow nonprofit developers to hire the expertise needed to secure preliminary financing commitments. Technical Assistance Advances, which are paid directly to consultants, support projects in the early conceptual stages, even before the developer gains control of the site.
2. Site Control Loans. With market pressures reducing the supply of publicly-owned property that can be developed for housing, nonprofit organizations often need to compete for privately held sites. CEDAC's Site Control Loan program offers nonprofit developers as much as \$40,000 to option a property or make a downpayment on a purchase and sale agreement. An immediate \$2,500 advance can be made to eligible organizations to bind an option while CEDAC completes a more thorough loan review.
3. Front Money Loans. CEDAC's Front Money Loans are available once a developer has control of a site and a bank has made a preliminary commitment to finance the project. These loans, which may range up to \$75,000 for large developments, can enable nonprofit developers to meet the bank's conditions for closing on a construction loan. Front Money Loans resemble Technical Assistance Advances in that all mortgageable costs are eligible, but because the projects are farther along, CEDAC will commit larger sums with fewer conditions attached. Unlike the Technical Assistance Advances, Front Money loans are paid directly to the borrower, not to the projects' consultants.
4. Equity Financing Guarantees. Unlike CEDAC's other loan programs, Equity Financing Guarantees cover project financing needs after, not before, the closing on construction loans. Though a developer may have a strong financing proposal, conventional banks may still find the project to be too great a risk. In such cases, CEDAC can offer a short-term loan guarantee or letter of credit of \$100,000 to \$300,000.

TERMS OF ASSISTANCE

CEDAC *short-term* interest-free *loans* are repayable from a project's construction loan once the developer receives financing from a bank. CEDAC funds may be applied only for mortgageable costs.

ELIGIBILITY

Nonprofit developers and community organizations in Massachusetts are eligible for CEDAC's financial or technical assistance. Loans are available for residential, commercial and mixed-use properties.

Most of CEDAC's assistance comes through funding from the Massachusetts Housing Partnership (MHP). Therefore, commitments of CEDAC funding for MHP projects require parallel MHP approval. Applicants for assistance for MHP projects must forward a copy of their "Application for CEDAC Development Assistance" to MHP.

APPLICATION PROCEDURES

Applicants are encouraged to contact CEDAC early in the project planning process to familiarize the CEDAC staff with the proposed project and to become acquainted with the Development Assistance programs available through the Corporation.

Applicants should obtain the "Guidelines for CEDAC Development Assistance Programs" and an "Application for CEDAC Development Assistance". These forms can be used for all CEDAC programs. A single form may be used to apply for several assistance programs for the same project, after consultation with CEDAC staff. Each separate project, however, will require its own application form.

CEDAC staff review all applications for financial feasibility, public benefits and funding requirements and prepare a recommendation for Board action. All funding commitments must meet with approval by CEDAC's Board of Directors. The CEDAC Board meets every six weeks to review requests for assistance. Applications for assistance are due at CEDAC three weeks prior to the meeting of the Board at which evaluation is expected.

CEDAC's development assistance loans are often placed at risk at a very early stage of project planning. To manage that risk, CEDAC typically makes multiple loans to the project during the development process. As hurdles to feasibility are overcome, CEDAC makes additional loans, usually of greater amounts and with fewer restrictions to reflect the diminished risk.

To eliminate excessive paperwork and red tape, CEDAC executes a master loan agreement when the first application is approved for a sum equal to the maximum amount that the developer would eventually be eligible to borrow for the project. Thus, if and when further assistance is granted, CEDAC draws the funds from this initial allotment without requiring any additional paperwork.

PUBLICATIONS

Application for CEDAC Development Assistance
Brochure: CEDAC -- Backing Nonprofit Developers
Guidelines for CEDAC Development Assistance Programs
Newsletter - CEDAC Insites

CONTACT

Michael Gondek, Deputy Director
Massachusetts Community Economic Development Assistance Corporation
19 Temple Place, Suite 200
Boston, MA 02111
(617) 727-0506

EXAMPLE OF ASSISTANCE

In 1986, CEDAC entered into an agreement to provide assistance to the Fenway Community Development Corporation for two housing developments on adjacent sites in Boston: West Fenway Apartments, a 55-unit project for low-income elderly and handicapped families; and Kilmarnock Street Apartments, a 52-unit mixed-income development. CEDAC made a total of nine loans to the projects, including: four Technical Assistance Advances totalling \$60,000, two Site Control Loans totalling \$18,000 and three Front Money Loans totalling \$90,526. Construction began on both projects in 1988. MHFA provided the mortgage financing for the Kilmarnock Street development. The Fenway CDC was able to meet MHFA's requirements with a letter of credit from CDFC.

Industrial Services Program (ISP)

BACKGROUND

The **Industrial Services Program (ISP)** works with companies, unions and workers to provide assistance when traditional manufacturing plants are at risk of closing. Their programs offer business and financial assistance to companies and help find new jobs at good wages for dislocated workers. ISP programs aim to stabilize traditional industries, keep them competitive and productive, and reemploy workers in jobs that pay comparable wages.

The ISP was created in 1984 by the Mature Industries Law. Since 1985, the ISP has helped 273 companies and over 26,000 workers. They have loaned \$6.7 million and leveraged another \$36 million in private investment.

TYPES OF ASSISTANCE

Through its several programs, the ISP offers an array of services to both companies and workers.

- Help to Dislocated Workers:

Worker Assistance Centers, funded by the ISP and operated by workers, union leaders, and local employment, training and education agencies, help individuals find jobs.

ISP Worker Assistance Centers are located in economically disadvantaged areas and are set up specifically for large layoffs and plant closings. The ISP works closely with AFL-CIO Dislocated Worker Programs. The ISP reacts quickly to plant closings and major layoffs and often begins to provide help before the workers' last day on the job.

- Help to Companies:

The ISP helps manufacturing companies by providing expert business and financial consulting. ISP employs a staff of professional business consultants experienced in turning around manufacturing companies that are in trouble. By working closely with company management, the ISP helps develop financial and business plans, marketing strategies, and good banking relationships.

Since 1985, the ISP has provided high risk loans from the Economic Stabilization Trust to 30 companies keeping them competitive and retaining over 14,000 manufacturing jobs in the Commonwealth.

- Industry and Job Stabilization:
Industry Action Projects (IAP)

The ISP, in a joint effort with the Executive Office of Labor, targets particular regions where a mature industry dominant in the local economy faces decline (e.g., Fall River for needle trades, Springfield or Worcester for machine trades, etc.). An ISP Industry Action Project, starts with a comprehensive examination of the industry and survey of the labor force. The IAPs bring workers, managers and community leaders together around a single industry vital to their area's economic health. They work to develop new marketing strategies, improve labor-management relations, new training options and industry-wide cooperation.

TERMS OF ASSISTANCE

For individuals, services are available until they find new jobs. Companies are handled on a case-by-case basis.

ELIGIBILITY

The ISP Worker Assistance Centers serve any worker who has lost a job because of layoffs or a plant closing. ISP Business and Finance services are available to Massachusetts companies in mature industries.

APPLICATION PROCEDURES

Displaced workers and companies seeking consulting services should contact the ISP directly.

PUBLICATIONS

Annual Report
 Brochures: *Need A Job?*
 Having Trouble Seeing a Profit
 Press Releases
 Newsletter: *Target*

CONTACT

Patricia Hanratty, Executive Director
 Industrial Services Program
 One Ashburton Place, Room 1413
 Boston, MA 02108
 (617) 727-8158

EXAMPLE OF ASSISTANCE

Plant Closing

Toward the end of 1986, the management of General Electric in Lynn saw that they would have to scale down their steam turbine business. GE managers and their union, the International Union of Electrical Workers, Local 201, turned to the ISP to help them create a nonprofit organization to run a Worker Assistance Center. Since July 1987, when the Center was opened in Lynn with \$700,000 from ISP, \$1.2 million from GE, and a \$500,000 Federal grant, over 600 workers have been placed in new jobs that pay 90% of their previous wage.

A Troubled Company

In 1986, Lou Marani, a garment maker in New Bedford, was already in Chapter 11 bankruptcy, when the ISP began working with his company. With ISP help, the company came out of bankruptcy and in 1987 began to show a profit. The ISP continued to work with the company through a reorganization and merger with a sister company and provided \$300,000 in loans from the Economic Stabilization Trust, insuring 220 jobs and a stronger company.

BACKGROUND

The Massachusetts Business Development Corporation (Mass Business) is a privately-owned company funded by 90 Massachusetts financial institutions to support the growth of business throughout the state. Mass Business's overall purpose is to provide financially prudent social investment.

The Corporation was formed by the Legislature in 1953 to meet the need for medium and long-term financing, and to supplement the *equity* of promising firms which are not able to qualify for such loans from conventional lenders. Through the years the focus of its programs has evolved to meet the changing needs and conditions of emerging businesses. Today Mass Business specializes in *subordinated debt* lending.

Mass Business has assisted over 750 companies with loans for *working capital*, *fixed assets* or business acquisitions and expansions. These activities have catalyzed the expansions of such prominent companies as Raytheon, Sanders Associates, and the Baird Corporation; and have provided key financial support for the Quincy Market/Faneuil Hall project in Boston as well as other revitalization projects from Lowell to Taunton and from North Adams to Chelsea. The majority of Mass Business' funds are targeted to the many smaller manufacturing and wholesale/distribution companies that create jobs and fuel the economic prosperity of the Commonwealth.

Mass Business is not truly a quasi public corporation in that it is strictly privately owned, however it was created and acts as a private/public partnership in setting its goals and objectives.

TYPES OF ASSISTANCE

Through three separate programs, Mass Business structures a diverse range of loans: primary *working capital loans*, *subordinated working capital loans*, *long-term loans* for new equipment, *first mortgages* on existing properties and planned construction projects, *second mortgages*, *leveraged buyouts*, *subordinated debt/equity* combinations, and various government guaranteed loan programs including Small Business Administration loan programs.

1. The Debt and Equity Financing program provides subordinated and equity investing for: real estate projects, *leveraged buyouts*, *working capital*, and equipment purchases.
2. The Massachusetts Certified Development Corporation was created to take advantage of the Federal *SBA 503* and *504* loan programs. These programs provide low-cost, *second mortgage* financing for smaller businesses looking to acquire real estate, expand facilities or purchase machinery and equipment.

These loans are an opportunity for 90% financing of fixed assets (real estate or equipment) with *long-term loans* at fixed rates of interest.

3. Through the Thrift Fund Program, Mass Business acts as an agent for the Thrift Institutions Fund for Economic Development (see pp. 44-46), providing working capital and machinery and equipment financing to worthy companies in older urban areas, mature industrial companies, or growth-oriented companies where there is a strong potential for job creation.

Mass Business is primarily a lending and investment company. However, they provide professional business advisory assistance in evaluating business plans, structuring and syndicating financings, and referring entrepreneurs to the professionals who can best help them.

TERMS OF ASSISTANCE

Mass Business is a market rate lender, offering both fixed and variable rate loans. The terms of their investments are flexible and can range from 3-25 years in duration and from several hundred thousand dollars and up in magnitude.

ELIGIBILITY

Mass Business invests primarily in low-technology manufacturing industries, though they have financed some wholesale distribution companies. Retail and service companies are generally not eligible. To qualify for their assistance, a company must be able to identify a conventional co-lender, either on their own or with the assistance of Mass Business.

APPLICATION PROCEDURES

There are no formal application procedures. Potential applicants should telephone for a pre-screening before filling out an application.

PUBLICATIONS

Annual Report
Brochure: *SBA 504*
Data Sheet
Marketing Package

CONTACT

Kenneth J. Smith, President
Massachusetts Business Development Corporation
One Liberty Square
Boston, MA 02109
(617) 350-8877

EXAMPLE OF ASSISTANCE

Kopin Corporation, of Taunton, was formed in 1985 to produce high performance semi-conductor materials. Mass Business, together with the Bank of Boston and an impressive group of venture capital companies, provided start-up funding in the form of a \$500,000 SBA-backed loan to acquire machinery and equipment. The funding has created over 62 jobs in the Taunton area. In 1986, Mass Business provided an additional \$500,000 through the Thrift Fund Program. This venture was an early entrant to the now successful Myles Standish Industrial Park.

BACKGROUND

The **Massachusetts Capital Resource Company (MCRC)** acts as an economic development catalyst by providing high *risk capital* to Massachusetts-based businesses. MCRC aims to assist in the maintenance and growth of Massachusetts business through the direct investment of *long-term debt* and *equity capital*.

MCRC is a private investment partnership formed as a joint private/public effort to address the "capital gap" which had limited the emergence of small high technology firms. It is owned and funded by nine of the largest Massachusetts-based life insurance companies.

MCRC was created in 1977 in response to a study of the region's economy produced for the Massachusetts Task Force for Economic Development. Its formation represented a unique compromise. Prior to 1977, the Commonwealth's insurance industry, the third largest in the country and one of the state's most critical service industries, had the highest tax burden in the country. In return for the legislation of tax reform, industry leaders created MCRC to employ a portion of its investment capital as a non-conventional source of capital to emerging businesses.

With a capital base of over \$100 million, MCRC is one of the largest private investment companies in the United States. In its first decade, MCRC has invested over \$175 million in more than 200 projects, creating over 10,000 jobs in the process.

TYPES OF ASSISTANCE

MCRC offers potential portfolio companies a wide range of investment strategies structured to fit their specific needs; such as:

- *Senior loans* to mature companies on a fixed rate and long-term basis.
- *Subordinated loans* to rapidly growing profitable companies in need of *equity*-type funds or to assist management buyouts.
- *Equity capital* or *convertible debt* to young organizations which have outgrown initial capital infusions.
- Partnerships with other lenders and creditors to revitalize existing businesses.

MCRC makes the following types of investments: *long-term debt*, *mezzanine capital*, *venture capital* and *leveraged buyouts*.

- *Long-Term Debt*. MCRC provides both *senior* and *subordinated debt*, for terms ranging from five to ten years, to companies seeking to fund permanent *working capital* needs and *capital expansions*.
- *Mezzanine Capital*. This complex form of financing incorporates *coupon rates*, *warrants*, *exercise price*, *puts*, forced convertibility, *registration rights*, etc. Young, rapidly growing, venture-founded companies have used *mezzanine capital* as a bridge to an initial public offering, while older slower growth companies have used it to finance an expansion or product line acquisition.
- *Venture Capital*. MCRC finances latter-stage *venture capital* investments. Working with earlier stage investors, MCRC provides growth capital to companies which have outgrown traditional venture financing but cannot access the public market. Their investments take the form of *convertible preferred stock*, *convertible subordinated debt* and *subordinated debt* with *warrants*.
- *Leveraged Buyouts*. MCRC provides the *mezzanine capital* layer necessary to supplement the firm's asset base to meet the purchase price.

TERMS OF ASSISTANCE

MCRC's investment terms are flexible. Interest rates may be fixed or variable, are negotiated on an individual basis and conform to market rates. Investments range from \$200,000 to \$5 million; \$1 million being the typical size of a MCRC loan package.

ELIGIBILITY

MCRC invests primarily in smaller, high-risk ventures in conventional, labor-intensive manufacturing industries. However, MCRC does invest in both software and some wholesale businesses. They will not invest in retail or construction businesses, real estate development, financial institutions or public utilities.

APPLICATION PROCEDURES

MCRC encourages initial inquiries by telephone or letter. They require a concise business plan which includes the following information:

- A brief overview.
- Experience and background of key personnel.
- Description of the product or services to be offered.
- Analysis of size and growth prospects of potential markets.
- Evaluation of the competitive environment.
- Discussion of the company's strategic plan.
- Financial history and projections for a five-year period.
- Amount of financing required and the proposed application of funds.

MCRC usually indicates preliminary interest within a few weeks of receiving a business plan. If interest is positive, their staff will perform a detailed evaluation, hold meetings with a company's management and make on-site visits. After the evaluation is completed, MCRC's Investment Committee reviews the application at its monthly meeting for final approval.

PUBLICATIONS

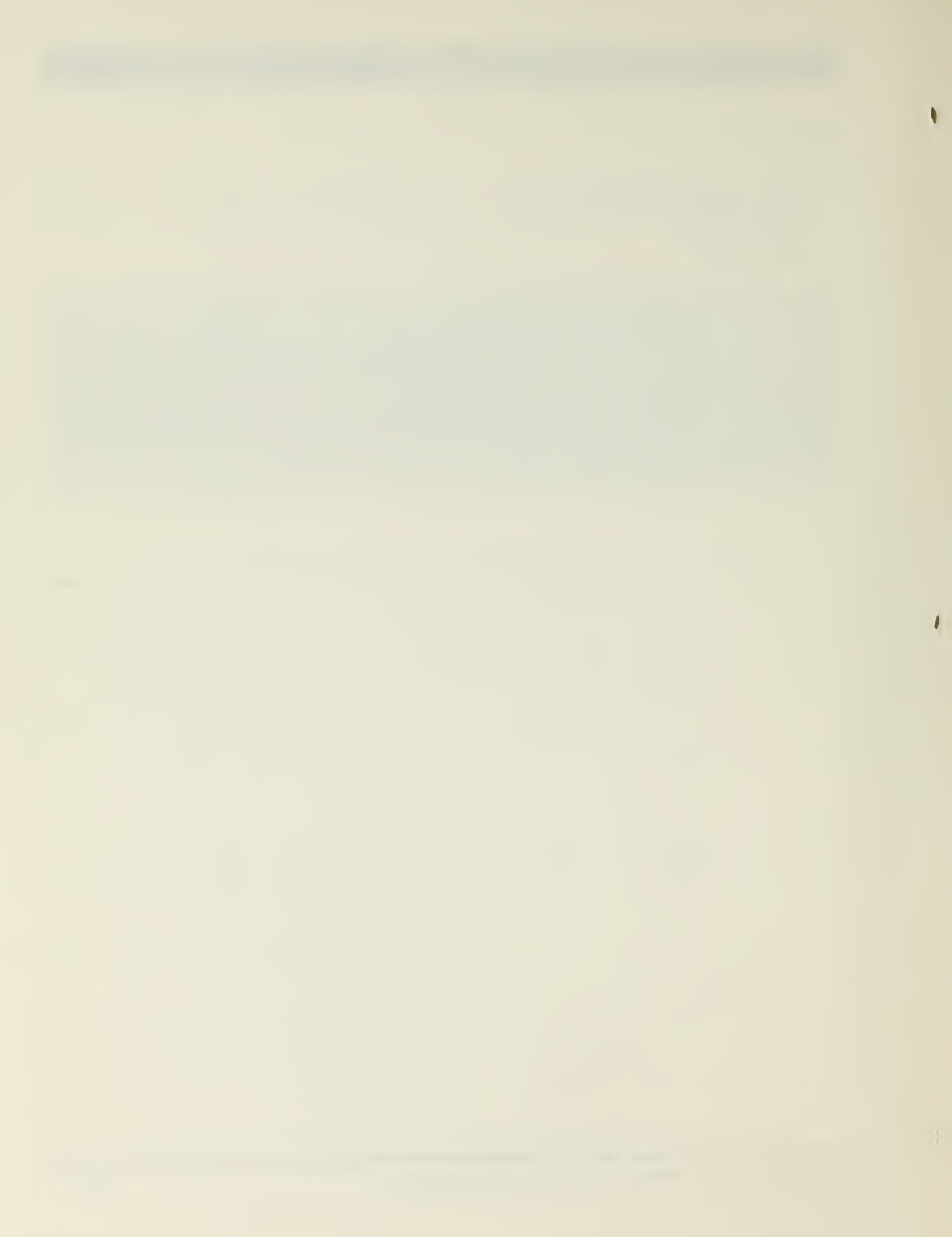
Annual Report

CONTACT

William J. Torpey, Jr., President
Massachusetts Capital Resource Company
545 Boylston Street
Boston, MA 02116
(617) 536-3900

EXAMPLE OF ASSISTANCE

EPSCO Incorporated, Westwood. EPSCO, founded in 1954, designs and manufactures radio frequency and microwave components and subsystems for both defense and commercial applications. In 1980, MCRC invested \$1.5 million in subordinated notes to EPSCO, creating 63 jobs in the process. In 1986, \$2.75 million in *long-term loans* from MCRC permitted EPSCO to acquire NEICO Microwave, a Hopkinton-based manufacturer of transmitter components, filters and antennas. This acquisition boosted EPSCO's 1987 revenues by \$10 million and allowed them to retain 33 jobs.



BACKGROUND

The Massachusetts Centers of Excellence Corporation (MCEC) is a quasi public agency established in 1985 to stimulate economic development by promoting new technologies and new applications of existing technologies through industry/education/government partnerships.

The enabling legislation identified four initial technologies that are priority areas for Massachusetts: Biotechnology, Marine Science, Polymer Science and Photovoltaics. In 1987 a fifth area was added – Applied Technology for small and medium-sized manufacturing firms.

MCEC operates with a dual system of boards. Nine directors, three each from academia, industry, and government serve on the Corporation Board. Chaired by the Secretary of Economic Affairs, the MCEC Board sets policy and makes funding decisions. Similarly constituted, the technology boards are charged with developing specific strategies to implement MCEC goals.

TYPES OF ASSISTANCE

MCEC awards grants for joint industry/education research and development projects, organizes symposia and workshops to bring together the key players in academia, industry and government, and supports other collaborative efforts to promote MCEC technologies.

- The Biotechnology Center of Excellence has actively supported the creation of the Massachusetts Biotechnology Research Park, established in cooperation with the city of Worcester and a consortium of seven area educational and research institutions. The biotechnology competitive grants program has focused on three areas of biotechnology applications with economic potential for Massachusetts: agriculture biotechnology, biomedical research and toxic waste degradation and treatment.
- The Marine Science Center of Excellence promotes activities in three areas that offer significant promise for economic growth: marine electronics, marine resources and water quality. In addition to supporting over a dozen joint industry/education marine research projects, MCEC has taken the lead in a federally funded study of internal competitiveness in the marine electronics industry. MCEC has also established a national network of aquaculture centers with Southeastern Massachusetts University designated as the administrative center for the northeast region.
- The Polymer Science Center of Excellence supports programs at the leading edge of polymer technology. MCEC worked closely with the Board of Regents and the University of Massachusetts to secure state and federal funding for a new \$52 million Polymer Science Center at the University. In its competitive grants program the Polymer Board identified the following areas of importance: advanced materials, polymer processing and fabrication technology, biopolymers, and environmental considerations pertaining to or using polymeric materials.
- The Center for Applied Technology (CAT) provides assistance to small- and medium-sized businesses on how they can apply new process technologies in order to remain or become more competitive. The CAT also awards grants for Technical Research Projects for proposals which 1) promote cooperation among industry, academia and labor; 2) enhance workforce skills; 3) enhance production flexibility; 4) promote workforce input into project design and implementation. In addition, the CAT has funded the establishment of a Skills-Based Documentation and Technical Assistance Center, a collaboration between the University of Lowell, Tufts University and the AFL-CIO.



The Massachusetts Photovoltaic Center at Logan Airport, Boston, is a one-stop center for purchasing, consumer and technical information about photovoltaics and its many applications. The Center also promotes the use of photovoltaic technology (direct conversion of sunlight into electricity) in developing countries. This Center has joined with the University of Lowell to offer educational and technology transfer programs for both domestic and international consumers of photovoltaic-powered systems. The Photovoltaic Center is administered by the Massachusetts Office of Energy Resources.

TERMS OF ASSISTANCE

Grants are for research and/or development projects in the areas of biotechnology, marine science, polymer science and applied technology. Funds may be granted for a period of 1-3 years, contingent upon continued MCEC funding by the legislature and successful realization of tasks as outlined in the grant agreement. The industry/education partnership should provide matching resources that equal or exceed the amount requested from MCEC.

ELIGIBILITY

MCEC grants are available to partnerships made up of Massachusetts businesses and educational institutions.

APPLICATION PROCEDURES

Proposals for competitive research and development grants undergo the following general procedures:

1. MCEC issues a Call for Concept Papers. Joint education/industry partners submit a three-page description of the proposed research and/or development project.
2. All Concept Papers are reviewed by the appropriate technology board(s). Those partners whose projects demonstrate technical feasibility and the potential for commercialization are invited to submit full proposals.
3. Applicants submit an in-depth proposal (maximum 15 pages) including a complete budget. Proposals must be accompanied by letters of intent to contribute from the education and industry partners.
4. Technology boards review the proposals within budget guidelines and make recommendations for funding projects to the MCEC Board.
5. The MCEC Board reviews recommendations and funds accepted projects.

PUBLICATIONS

Annual Reports

Brochures: *Massachusetts Centers of Excellence: Creating the Future*
Massachusetts Centers of Excellence: A State of Opportunity
Biotechnology in Massachusetts
Center for Applied Technology

Call for Concept Papers

Request for Proposals

List of Grant Awards

CONTACT

Megan Jones, Director
Massachusetts Centers of Excellence Corporation
Nine Park Street
Boston, MA 02108-4807
(617) 727-7430

EXAMPLE OF ASSISTANCE

In 1987 MCEC awarded \$40,000 to a partnership between the University of Massachusetts' Experimental Cranberry Station at Cape Cod and BioTechnica of Cambridge for the development of a natural microbial fungicide for cranberry crops. Cranberries are the highest value single crop in the Commonwealth, but fruit rot causes the loss of 10-15% of the annual cranberry crop. The research funded by the MCEC grant will investigate natural microbial alternatives to chemical fungicides.

BACKGROUND

The Massachusetts Corporation for Educational Telecommunications (MCET) offers technical assistance to educational and other public institutions to provide them with initial hands-on experience with *distance learning*, *teleconferences* and other forms of *telecommunications*.

MCET is a public instrumentality, created by Chapter 560 of the Legislative Acts of 1982, to develop and operate a statewide multipurpose telecommunications system to serve the informational and educational needs of the Commonwealth. Such a network would provide wider access to the state's educational resources and facilitate sharing of these resources among public and private institutions.

MCET works with organizations across the Commonwealth to enable them to evaluate the feasibility and potential of telecommunications for the delivery of instruction and other critical public information. Assistance provided through MCET's Technical Assistance Program (TAP) aims to prepare institutions for participation in a full-scale educational telecommunications network, which is the major focus of MCET's development efforts.

During 1987 and 1988, MCET's Technical Assistance Program collaborated with 68 organizations to produce a total of 27 teleconferencing events, a computer bulletin board and 101 hours of educational television programming. MCET provided consulting services to other Massachusetts organizations to assist them in planning educational applications of telecommunications technology. MCET also organized three conferences focusing on educational telecommunications in 1987-88.

TYPES OF ASSISTANCE

MCET's Technical Assistance Program provides initial telecommunications experiences for educational, health care, governmental and other constituent sectors by providing technical assistance on the development and implementation of *distance learning* projects and *teleconferences*.

MCET provides a wide range of services, such as:

- Planning the *telecommunications* services and equipment that will be required for a project;
- Assisting and advising in the coordination and implementation of video productions;
- Arranging use of *telecommunications* capacity, video production facilities and remote site facilities;
- Coordinating the implementation of the event;
- Providing support services related to long-term institutional involvement in *distance learning*.

MCET's other activities include surveying the public and private *telecommunications* capacity across the state, as well as assessment of the educational and information needs of schools, universities, government, health care and other sectors. MCET played a major role in the drafting of the Star Schools Program Assistance Act, a federal statute encouraging educational *telecommunications* development.

TERMS OF ASSISTANCE

Institutions seeking assistance for *telecommunications* projects should be prepared to commit resources for project expenses, including planning and development, outreach, publicity, equipment rental and transmission costs.

ELIGIBILITY

Massachusetts educational institutions, school systems, health care institutions, libraries, state agencies, businesses or consortia are eligible for assistance if projects meet the following criteria:

1. Projects must have an educational focus.
2. Projects must benefit organizations and/or individuals in more than one Massachusetts city or town.
3. The organization must provide a viable plan for ensuring participation by its target audience.

APPLICATION PROCEDURES

Interested parties should contact MCET no later than six months prior to the project target date. MCET will review a proposed project within three weeks of receiving it, develop an estimated project budget and arrange for a meeting with the sponsoring organization to discuss the project in greater detail.

PUBLICATIONS

Annual Report
Background on MCET
 List of Technical Assistance Projects
Report on the Technical Assistance Program
Survey of Massachusetts Public High Schools (1988)
Technical Assistance Program: Demonstration Project Application

CONTACT

Richard A. Borten, Executive Director

Linda DiRocco, Project Development Director
 for Technical Assistance Projects

Massachusetts Corporation for Educational Telecommunications
 World Trade Center, Suite 115
 Boston, MA 02210
 (617) 439-5888

EXAMPLE OF ASSISTANCE

The demonstration project for "Health Net", a seven-part continuing education series, was originally cosponsored by the Boston University Area Health Education Center and MCET in the winter of 1987. Its success led Smith, Kline and French Laboratories to provide funding for its continuation. This program delivers telecourses for credit to health care and social work professionals at nine Massachusetts health centers using a combination of satellite, microwave, and cable television. MCET arranged the transmission and assisted with the production of the live program. MCET continues to provide technical assistance to this program. The educational service will soon expand to include hospitals throughout New England.

BACKGROUND

The **Massachusetts Government Land Bank** (Land Bank) is a public-purpose real estate financier and developer. It provides cities, towns, nonprofit organizations and private developers with *mortgage* and development assistance to redevelop surplus or blighted properties. Land Bank provides financial and technical assistance to redevelopment projects that create and retain jobs, develop affordable housing, broaden local tax bases or foster private investment. To accomplish these objectives, the Land Bank provides below-market mortgage loans or, in some cases, purchases land, funds the improvements and sells the property back to responsible developers.

The Land Bank was created in 1975 to restore to productive civilian use land left idle by the closing of five U.S. military bases. After the successful transformation of the bases into such assets as the Boston Marine Industrial Park and the Air Park West, the Legislature expanded the Land Bank's mandate in 1979 to include the redevelopment of distressed property or surplus state and federal properties throughout the Commonwealth. This broadened mandate allows the Land Bank to serve as a lender, public developer and provider of technical support and expertise for innovative housing and land-use projects that serve the public good. The Land Bank is an independent state agency governed by a Board of Directors appointed by the Governor.

To date, the Land Bank has financed over \$30.2 million in low interest mortgages, stimulating the construction or rehabilitation of 1,300 units of affordable housing, 780,000 square feet of commercial space, and 4.1 million square feet of new industrial space. These activities have resulted in the creation or retention of 8,200 permanent jobs.

TYPES OF ASSISTANCE

Most of the Land Bank's assistance is committed on a case-by-case basis in order to tailor assistance to the needs of specific projects. However, at the time of this writing, the Land Bank administers two programs: the Co-op Housing Initiative and the Building for Industry Program.

- The Co-op Housing Initiative offers financial and technical assistance to develop limited *equity* housing cooperatives. Limited *equity* co-ops provide an alternative to people who could not otherwise afford to own homes. By definition, a cooperative is owned by a corporation made up of residents. The Land Bank provides long-term blanket mortgages with below-market interest rates to complement conventional mortgage financing. Land Bank staff advise nonprofit developers, neighborhood groups and other state agencies and help sponsors to obtain private financing.

The limited-equity formula also ensures that a development maintains its status as affordable housing. Unlike a for-profit investment, limited equity defines the value of the owner/member's share according to a formula. Increases in value are tied to cost-of-living indicators and include improvements made to the unit. Membership, therefore, implies controlled appreciation.

- The Building for Industry program aims to catalyze economic growth in areas of high unemployment and low incomes. Under the program, the Land Bank joins with local governments or private sponsors to provide mortgage financing for three types of projects: industrial parks; multi-tenant buildings, including "incubators" for small businesses; and assistance for growing firms that demonstrate particular public benefits and economic impact. Small business incubators provide affordable rent, shared services and equipment, *equity* financing and low-cost management assistance to small businesses.

Other project areas include property development through which the Land Bank collaborates with applicants in project planning, property acquisition and constructing infrastructure improvements.

TERMS OF ASSISTANCE

Mortgage loan terms range from 5-20 years with a 20- or 30-year amortization schedule. Interest rates are fixed, currently ranging from 7%-9%. The Land Bank may structure financing to share in a project's financial success.

ELIGIBILITY

A broad range of organizations are eligible to receive assistance for *mortgages*, cooperative housing or to sponsor a small business incubator, e.g., local governments, CDCs, universities, and both for- and not-for-profit developers.

APPLICATION PROCEDURES

Proposed projects undergo the following general procedures:

- Initial informal contact by phone to the Land Bank staff.
- A Land Bank Project Manager visits the site and reviews plans and financial details of the project.
- Eligible sponsor submits a Preliminary Application.
- Board of Directors conducts an informal review and makes recommendations for proceeding.
- A Mortgage Application, reflecting recommended changes, is submitted to the Board for approval subject to conditions.
- Once conditions are met, the Board grants Final Authorization for release of funds.

PUBLICATIONS

Annual Report
Application
Brochure: *The Co-op Housing Initiative*
Small Business Incubator Program
Newsletter - *Land Bank Developments*

CONTACT

Timothy A. Bassett, Executive Director
-or-
Michael Schaaf, Director of Projects

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Boston, MA 02108
(617) 727-8257

EXAMPLE OF ASSISTANCE

By the 1970's the historic piers of Gloucester were crumbling and the 4.2 acres at the Head of the Harbor that had been set aside for waterfront revival were lying idle. In 1982 the Land Bank stepped in to assist the Gloucester Redevelopment Authority and the State Executive Office of Environmental Affairs to finance, manage and redevelop the blighted parcels into modern fish processing and berthing facilities. The Land Bank invested \$675,000 in below-market financing and implemented a community-generated redevelopment plan. Today, the Head of the Harbor Seafood Industrial Park has added 40,000 square feet of processing space and a 10,000 square foot chandlery to the waterfront. The next step is the \$10 million redevelopment of the State Fish Pier now in the engineering stage.

BACKGROUND

The Massachusetts Housing Finance Agency (MHFA) is a self-supporting state agency mandated to finance and promote the construction, purchase and rehabilitation of housing in the Commonwealth. MHFA's loan programs support the construction of mixed-income rental housing, finance the preservation of the Commonwealth's existing housing stock and provide opportunities for homeownership to low- and moderate-income households.

MHFA was created by Chapter 708 of the Acts of 1966 to address the need for production of new rental housing and the rehabilitation of existing rental housing stock. The Massachusetts Home Mortgage Finance Agency was created in 1974 to address the need for *mortgage* funds at interest rates affordable to low- and moderate-income persons and families. The two agencies were merged by state legislation in 1982. Funding comes from the issuance of bonds by the Agency.

Since its first loan in 1970, the MHFA has provided financing for more than \$3.49 billion in housing in communities throughout the Commonwealth. As of July 1988, MHFA has provided long-term financing for 46,854 units of housing through its rental loan programs. Of these units, 41% are designed for elderly persons and 59% are available to families. In addition, 5% have been specially designed to be accessible to people with physical handicaps. An additional 18,247 units have been provided with construction only loans. Through its homeownership programs, MHFA has provided 18,264 *mortgages* and 308 home improvement loans.

TYPES OF ASSISTANCE

- Rental Housing Assistance. MHFA provides financing for the construction or rehabilitation of multi-unit rental housing in the form of construction and permanent *mortgage* loans to nonprofit or limited-profit developers.

Through a partnership with the Executive Offices of Communities and Development (EOCD), MHFA offers subsidized loans through the SHARP Program -- State Housing Assistance for Rental Production. SHARP is designed to stimulate the production of privately owned rental housing in Massachusetts in which at least 25% of the units are available in perpetuity to lower-income households.

MHFA can also enable developers to take advantage of *mortgage* interest subsidies or rental subsidies funded by other state or federal appropriations.

- Homeownership Assistance. MHFA's home mortgage loan programs make low-interest *mortgages* available to low- and moderate-income individuals and families who are usually first-time home buyers. These *mortgages* are offered through four separate programs:

General Lending. In selecting the recipients of General Lending *mortgages*, MHFA places priority on lower-income households, Vietnam veterans, minorities, and the physically handicapped.

Neighborhood Rehabilitation. Loans through the Neighborhood Rehabilitation Program can be made to individuals who buy homes which require at least \$3,000 of rehabilitation and are located in specified older communities. Funding is also available for owner-occupants of one- to four-family homes in need of substantial rehabilitation.

New Construction. The New Construction Program reserves funds to allow specific builders and developers of moderately priced single-family homes to provide mortgages to eligible borrowers purchasing these units.

Homeownership Opportunity Program (HOP). The HOP program uses state, local and private sector resources (including proceeds from *mortgage* revenue bonds) to produce homes which are affordable to first-time homebuyers of modest economic means.

TERMS OF ASSISTANCE

SHARP subsidized loans for rental housing have interest rates as low as 5% for a term of up to 15 years. There are per unit subsidy limits, but no maximum or minimum limits on loan amounts. Since the term of the *mortgage* is generally 30-40 years and the SHARP subsidy is for 15 years, developments are expected to become self-sustaining by the 15th year. At least 25% of the units in a SHARP-assisted development must be reserved for low-income households in perpetuity.

Loans through the Homeownership Program generally have interest rates set at 2% below current market rates. Interest is fixed to the term of the *mortgage* which usually ranges from 26-30 years.

ELIGIBILITY

SHARP loans for rental developments are available to private nonprofit or limited-profit developers with the demonstrated expertise, capabilities and financial resources to realize the proposed development. The MHFA strongly encourages the submission of proposals which involve minority participation in the development team.

Homeownership *mortgage* loans are available to individuals who:

- Are first-time home buyers (except in federally-targeted areas).
- Are income eligible (based on federal law and established by geographic area).
- Are purchasing a home that is within certain cost limits (based on federal law and established by geographic area).
- Can demonstrate a good credit rating.
- Can meet the established housing-to-income and payment-to-income ratios.

APPLICATION PROCEDURES

SHARP awards for rental developments are made through periodic development competitions sponsored by the MHFA. These competitions are announced in major daily newspapers and involve a 60-day application period. MHFA holds workshops to familiarize potential SHARP applicants with program guidelines at the beginning of each application period. SHARP funds are also awarded through the Massachusetts Housing Partnership (MHP).

Financing Process:

- RFP (Request for Proposals): MHFA invites developers to submit proposals.
- Official Action Status is granted to proposals which meet MHFA "threshold requirements" and score well in the competitive review process. Developers are then asked to submit formal *mortgage* applications.
- In-depth underwriting review.
- Commitment: proposals which pass the underwriting review are recommended to the MHFA Board for a loan commitment.
- Loan Closing/Funding: Closing or construction starts are expected to occur within nine months of the SHARP award.

MHFA makes homeownership *mortgage* funds available periodically. Announcements of these programs are publicized through all of the mass media and through banks. Loan applications should be submitted directly to participating lenders. For complete details on the MHFA's home *mortgage* programs, individuals should contact MHFA, a participating lender, builder, neighborhood group or EOCD.

HOP funds are available through competitions held periodically by the Massachusetts Housing Partnership and MHFA.

PUBLICATIONS

Annual Report

Brochures: *Home Mortgage Loan Programs*

How to Buy a House: Putting the Puzzle Together

SHARP: State Housing Assistance for Rental Production

HOP Guidelines for Communities and Developers

Housing Finance/Production Summary (published quarterly)

Housing List (published semi-annually)

Management Procedures Manual

Policy and Procedures Handbook

Quarterly Newsletters: MHFA

Tenant Assistance Program (TAP)

SHARP Developers Kit

Single Family Programs Operations Manual

CONTACT

Massachusetts Housing Finance Agency (MHFA)

50 Milk Street

Boston, MA 02109

SHARP:

Mike Jacobs, Sr. Development Officer

(617) 451-3480

Homeownership:

Office of Single Family Programs

(617) 451-2766

Massachusetts Housing Partnership (MHP)

Regional Offices:

- Central Massachusetts (Worcester) (508) 755-7737
- Metropolitan Boston (617) 727-7824
- Northern Massachusetts (Burlington) (617) 229-6338
- Southeastern Massachusetts (Bourne) (508) 759-4991
- Western Massachusetts (Amherst) (413) 253-7379

EXAMPLE OF ASSISTANCE

Completed in the winter of 1988, the Whitney Carriage Park apartments in Leominster provide rental housing for 45 low-income and 136 market rate households. The MHFA has provided over \$17 million in construction and permanent financing, and will be providing close to \$5 million in SHARP *mortgage* interest subsidies over a 15-year period. This development was also made possible by a Housing Development Action Grant from the U.S. Department of Housing and Urban Development. In addition, the Executive Office of Communities and Development has provided 45 Chapter 707 Rental Assistance Certificates for low-income residents. The ten-acre development consists of both renovation and new construction on the site of the F.A. Whitney Carriage mill complex, originally built in 1880. Four acres of the property will be preserved for open space and recreation with a pool and tennis courts.

BACKGROUND

The **Massachusetts Industrial Finance Agency (MIFA)** is an independent public agency created to promote economic growth and increase employment through a variety of financing incentives. MIFA provides capital to growing businesses to finance: purchases of equipment, land or facilities; construction, renovation or expansion of facilities; or refinancing of *asset-based debt*. MIFA issues both taxable and tax-exempt *bonds*, insures loans, and makes direct loans for asset-based industrial expansion and commercial development. As a result of legislation enacted in 1988, MIFA also finances the capital expansion projects of eligible nonprofit institutions.

Since 1978, MIFA has issued over \$4.4 billion in *bonds*, contributing to the expansion or development of over 2,100 industrial or commercial enterprises. MIFA financing has spearheaded the creation of an estimated 78,000 jobs. MIFA has also made \$21 million in direct loans to 33 Massachusetts companies. More recently, in response to changes in the economy and in federal tax laws, MIFA has expanded the scope of its investments and sources of capital. Today, the Agency acts as a bridge between private enterprise and participants in larger domestic and international capital markets.

MIFA's bonds are not backed by the general obligation of the Commonwealth. The Agency receives no state funding.

TYPES OF ASSISTANCE

BOND PROGRAMS

- Human Service Provider Lease Program. Long-term, fixed-rate, tax-exempt bonds are available to human service providers who contract with the state to renovate, purchase, construct, or refinance their property. Fixing these real estate costs for the life of the bonds halts rent escalation and allows savings to be redirected to services for people on welfare, the physically challenged, the homeless, and people with mental illness. The program is structured to provide 100% financing and an opportunity for property ownership at the bonds' maturity.
- Nonprofit Institutions/Tax-Exempt Bond Program. Tax-exempt 501(c) Bonds are available to qualified educational, health care, and cultural institutions including: colleges and universities, private secondary and elementary schools, adult education and specialized schools, teaching hospitals, museums, community centers, performance halls, and human service providers. Bonds can be used for acquisition, construction, or renovation of buildings, land or equipment purchases, or refinancings. These bonds are not subject to the statewide volume cap on tax-exempt funding.
- Tax-Exempt Industrial Development Bond (IDB) Program. Tax-exempt Industrial Development Bonds (IDBs) can be used by manufacturers planning to construct new facilities, expand or renovate an existing facility, or purchase new equipment. Federal tax laws have reduced the availability of tax-exempt financing. The IRS Code definition of "manufacturing" has been tightened to restrict the application of bond proceeds to expansion projects which produce "tangible" products. Commercial projects and warehouse and distribution facilities are no longer eligible.
- Taxable Industrial Development Bond (IDB) Program. Taxable IDBs are available for a wide range of industrial and commercial capital expansions; including manufacturing, warehouse and distribution, and research and development projects. Bond proceeds can be used for the acquisition, construction, or renovation of buildings and land, or for the purchase of equipment. Taxable IDBs can also be used to refinance existing *asset-based debt*, and, in some cases, for *working capital*. There are no size restrictions on taxable *bonds*.

- **Taxable Commercial Paper Program.** The Taxable Commercial Paper Program offers smaller growing companies short-term, interim financing for fixed asset expenditures including: construction, expansion, renovation, and land or equipment purchases. By raising funds in the \$380 billion commercial paper market, smaller industrial, manufacturing and service sector companies access the same capital market as the largest corporations. MIFA's taxable commercial paper is back by a letter of credit from Aaa-rated Union Bank of Bavaria.
- **Current Refunding Program.** The Current Refunding Program enables those past manufacturing and commercial tax-exempt IDB recipients affected by "gross-up" clauses to refund their previous *bonds* through a new tax-exempt issue. "Gross-up" clauses were triggered by the lower corporate tax rates in the new federal tax code. Bonds without gross-up clauses are also eligible for refunding. By refunding, companies can restructure debt to take advantage of changing markets.

DIRECT LOAN PROGRAMS

- **Seafood Loan Fund.** MIFA's Seafood Loan Fund -- developed in conjunction with the State Legislature and capitalized out of MIFA's reserves at \$1.5 million -- provides low rate, fixed financing for companies in the seafood processing industry. The Fund is targeted to four areas of innovation: 1) commercialization of fish by-products; 2) improved product quality; 3) surimi production; and 4) improved distribution and marketing. Direct loans up to \$200,000 are available to finance innovative or modernized equipment and technologies to enhance the competitiveness of the Commonwealth's seafood industry.
- **Child Care Facilities Loan Fund.** The Child Care Facilities Loan Fund, the largest such fund in the country, provides direct loans of up to \$250,000 to companies, developers, and nonprofit organizations to be used for acquisition, renovation, construction, and permanent installation of equipment for on-site facilities. Through this program, companies can obtain the low-cost capital necessary to provide employees with convenient child care.
- **Thrift Fund.** MIFA is one of five quasi public authorities designated to originate, service and monitor direct loans from the Thrift Institutions Fund for Economic Development, a \$100 million pool of capital specifically designed to serve businesses that are unable to secure conventional financing. Priority is given to projects that create significant numbers of new jobs in areas of high unemployment. MIFA originates all Thrift Fund loan requests over \$250,000 for plant expansions and equipment purchases. (See also pages 44-46.)

INSURANCE PROGRAMS

- **Massachusetts Export Partnership.** Sponsored jointly with the Export-Import Bank of the United States (Eximbank) and the Massachusetts Office of International Trade and Investment, this program provides a 90% guarantee to commercial banks that otherwise might be reluctant to loan *working capital* to exporters. Loan funds may be used to purchase materials, products, services and labor for production of goods or services for current or future export sales. Loan funds may also be used for foreign business development such as marketing activities, trade fair participation or other promotion activities.
- **Mortgage Insurance Program (MIP).** Often, a small business' need for expansion capital exceeds its credit limit. MIP is designed to help smaller businesses to obtain the funds they need to meet their growth objectives. Through this program, MIFA insures repayment of a portion of a permanent loan for real estate and/or equipment. This insurance can support either conventional loans or IDBs.

TERMS OF ASSISTANCE

Rates and terms vary with the different programs and with changes in financial markets. MIFA structures transactions to fit the specific financing needs of the borrower, working with the underwriter, lawyer and bank of the borrower's choice.

ELIGIBILITY

Eligibility requirements differ from program to program, and for corporate and nonprofit organizations. However, MIFA applies general criteria in evaluating companies receiving assistance; including:

- Projects must lead to the creation or retention of employment in Massachusetts.
- MIFA financing should be used to leverage additional private investment.

APPLICATION PROCEDURES

Applicants follow these general procedures:

- Informal discussion of program eligibility by telephone with a member of the Project Finance Department.
- Meeting with Project Finance Officer.
- Developing and filing of Application.
- Board Approval. MIFA's Board of Directors reviews applications at monthly meetings. Applications for direct loans and mortgage insurance are first reviewed by the Board's Credit Committee and then presented for Board approval. For bond financing there is a two-step process: (1) "Official Action"; (2) "Final Approval".

PUBLICATIONS

Annual Report

Applications: *Financing for Non-Profit Institutions*

Tax-Exempt Industrial Development Bond Financing

Taxable Industrial Development Bond Financing

Taxable Commercial Paper Program

Financing of Corporate Child Care Facility

Seafood Industry Revolving Loan Fund

Thrift Fund Financing

Brochures: *New Vistas: Financing for Non-Profit Institutions*

Taxable Commercial Paper Program

Taxable Industrial Development Bonds

Announcing a Faster Route to Export Capital

Mortgage Insurance Program

Seafood Loan Fund

Information Packets

Quarterly Newsletter: *MIFACTS*

CONTACT

Brian T. Carty, Executive Director

-or-

Joseph D. Blair, Deputy Director

Massachusetts Industrial Finance Agency
400 Atlantic Avenue
Boston, MA 02110
(617) 451-2477

EXAMPLE OF ASSISTANCE

With the decline in availability of tax-exempt IDB's, MIFA has developed a number of alternative financing mechanisms for growing businesses. In February, 1987, for example, MIFA developed a \$7.8 million taxable IDB pool composed of three small companies on the North Shore – companies typical of the thousands the Agency had helped in the past with tax-exempt funding. Backed by Essexbank, the bond pool was sold in the public credit market, "Wall Street", typically a source of capital tapped only by much larger companies. Not only did the pool sell out quickly, it has also performed well over time. After one year, the variable rate issue has traded below prime rate and less than 100 basis points above the federal funds rate, demonstrating that taxable bonds are an attractive financing option for small businesses.

BACKGROUND

The Massachusetts Product Development Corporation (MPDC) is an independent state-supported investment corporation which provides *royalty-based financing* for product development to traditional manufacturers. The purpose of MPDC's investments is to provide product development funding to traditional manufacturers who cannot otherwise obtain private financing on reasonable terms without risking their businesses. Such funds can be applied to any activity that relates to the commercialization of a new product, such as: marketing, specialized tooling, *working capital* or sales support.

MPDC is designed to fill a gap in the finance market which often denies traditional manufacturers the product development financing that could help keep their companies competitive. A number of plant closings in Massachusetts in recent years has been attributed to a lack of such financing. MPDC clients are traditional manufacturers, often referred to as "smoke stack" or "low tech" industries, that employ blue collar workers. The goal of MPDC is to help create or retain jobs in Massachusetts.

Since 1987, MPDC has invested \$960,000 in 6 companies at an average investment of \$160,000. They have assisted over 300 companies in 125 cities and towns throughout the Commonwealth. Through their work, 416 jobs will have been created or retained in the next 5 years. In its first year of operations, MPDC has received \$5,000 return on its investments.

TYPES OF ASSISTANCE

- Investment Capital. MPDC provides investment capital to reimburse product development expenses in exchange for a royalty on sales of the sponsored product.
- Technical Assistance. MPDC provides technical assistance to companies contemplating or involved in product development. This includes access to other manufacturers, referrals to consultants, advice on business plans and referrals to other financing sources.

TERMS OF ASSISTANCE

Investments range from a minimum \$50,000 to a maximum of \$200,000. A royalty fee of 2-5% of net sales of the sponsored product is due to MPDC over a period of 5-10 years. Though MPDC's rate of return on a successful product will be higher than conventional financing, companies are not obliged to repay MPDC if the product fails.

ELIGIBILITY

Applicants must demonstrate:

- That their product will help create or retain jobs in Massachusetts;
- That funds are not otherwise available on "reasonable terms" through conventional financing;
- That the product or process is at the prototype state or beyond in its development;
- A sound business plan.

APPLICATION PROCEDURES

The application process takes approximately three months from application to commitment. The following steps constitute MPDC's application process:

1. The company submits a business plan or completes MPDC's standard forms.
2. MPDC decides within 3 weeks if the company is eligible to apply.
3. If eligible, the company pays a \$500 application fee.
4. MPDC staff research the soundness of the proposal.
5. MPDC representatives conduct a site visit.
6. The company's chief officer makes a presentation to the MPDC Board.
7. The MPDC Board votes approval.

PUBLICATIONS

- Annual Report
- Brochure: *Bringing Product Partnerships to Life in Massachusetts*
- Business Plan Guide - *MPDC Information Requirements*
- Funding Fact Sheet - *MPDC Funding At A Glance*
- Newsletter - *Seeding a Renaissance*

CONTACT

Samuel Leiken, President
Massachusetts Product Development Corporation
55 Union Street
Boston, MA 02108
(617) 727-1133

EXAMPLE OF ASSISTANCE

Sinclair International, a family-owned company in Holyoke, obtained a \$60,000 investment from MPDC to assist in the development of a Hydropurge System for sale to paper manufacturers. The Hydropurge System offers a more efficient, energy-saving pulp purifying process for paper making. The first system will be installed in the Atlantic Coast Boxboard Company in Lawrence. If successful, the new system will help Sinclair regain their former level of employment and secure a continued place among paper machine manufacturers.

BACKGROUND

The **Massachusetts Small Business Development Center (MSBDC)** provides free one-to-one management and technical assistance counseling and low-cost training programs to small business entrepreneurs throughout the Commonwealth.

MSBDC was created in 1980 by United States Public Law 96-302 to pool the resources of federal, state and local government; academic institutions; and the private sector in order to provide small businesses with high quality technical assistance and educational programs. The MSBDC is a partnership of the United States Small Business Administration and the Commonwealth's Executive Office of Economic Affairs and a consortium of institutions of higher education led by the School of Management at the University of Massachusetts/Amherst and including Boston College, Clark University, the University of Lowell, Southeastern Massachusetts University and Roxbury Community College. The U.S. Small Business Administration provides 50% of MSBDC's funding; the Massachusetts Executive Office of Economic Affairs and a consortium of participating educational institutions each provide 25% of MSBDC's annual budget.

In its first eight years, MSBDC staff have counseled over 18,000 clients. For FY88 the MSBDC provided 30,000 hours of counseling services to over 3,600 individuals. Of these, 35% were women and 13% were ethnic minorities. MSBDC has run 1,050 educational programs; in FY88, 150 such programs attracted 2,800 participants. With MSBDC assistance, small businesses have secured over \$100 million in financing, resulting in the creation of 2,500 jobs in Massachusetts. MSBDC impact analyses estimate that for every \$1 invested in program costs, small businesses have generated \$10 in increased state and federal taxes.

TYPES OF ASSISTANCE

- Management Consulting Services. A full-time staff of consultants, supported by the resources of their host academic institutions, provide counselling services to small business entrepreneurs. Services include: feasibility analysis, business plan development, cash flow analysis, personnel management and financial plan development. The average counselling case receives approximately eight hours of service with 25% of the cases receiving 30 hours or more.
- Training. MSBDC conducts low-cost seminars, workshops, courses and conferences addressing a wide range of business concerns. Many of these programs are co-sponsored with local Chambers of Commerce, colleges and universities, community development organizations, and trade associations.
- Manufacturing Support Services Program. MSBDC provides technical assistance through one-to-one counselling and training programs in such areas as production control, quality assurance, materials handling, technology feasibility, production costs, etc.
- Capital Formation Service (CFS). The CFS provides free assistance to companies seeking unconventional sources of financing; i.e., state or federal financing programs, *venture capital* and private investment. CFS consults with companies on meeting the requirements of these forms of financing and helps them to compile the necessary documentation.
- The Northern Tier Project. This is a multi-faceted economic development initiative of the MSBDC, the University of Massachusetts Extension Service, the Executive Office of Communities and Development and local organizations. This program provides specialized technical and management assistance to businesses in the Northern Tier (Northwestern corner of Massachusetts stretching from Gardner to the Berkshires) focusing on small business expansion and retention in the areas of food processing, wood products, furniture and metalworking.
- Economic Development. The MSBDC assists local groups and communities develop programs for small business creation, expansion and retention.

TERMS OF ASSISTANCE

Not applicable.

ELIGIBILITY

The MSBDC is required to serve only those businesses which meet the size standards defined by the U.S. Small Business Administration. These classifications have been set individually for different industries. In addition, a business must be independently owned and operated, have its principal place of business located in Massachusetts, cannot be dominant in its field of operations, and must not be a corporation which is a member of an affiliated group. Applicants should call their nearest MSBDC office for clarification.

APPLICATION PROCEDURES

Individuals seeking assistance should call their nearest regional office.

PUBLICATIONS

Annual Report

Brochures: *MSBDC*

Capital Formation Service

Each center has its own brochure and calendar.

Fact Sheets

Booklet - *Massachusetts Small Business Tax Guide*

Research Papers: *Using Technology to Compete as a Small to Medium Size Manufacturer*

Massachusetts State House Conference on Small Business: Issues Survey

CONTACT

John Ciccarelli, State Director

Massachusetts Small Business Development Center State Office

University of Massachusetts

205 School of Management

Amherst, MA 01003

(413) 549-4930, ext. 303

There is an MSBDC regional office, specialty center or satellite office within 30 minutes of any potential client in the state. Inquiries can be made at the nearest regional center. The MSBDC also has outreach programs through local Chambers of Commerce and Economic Development Centers.

Western Massachusetts Regional Office

University of Massachusetts

101 State Street, Suite 42

Springfield, MA 01103

(413) 737-6712

Merwin Tober, Regional Director

Metro Boston Regional Office

Boston College
96 College Road - Rahner House
Chestnut Hill, MA 02167
(617) 552-4091
John McKiernan, Regional Director

Northeastern Massachusetts Regional Office

University of Lowell
450 Aiken Street
Lowell, MA 01854
(508) 458-7261
Rudolph Winston, Regional Director

North Shore Satellite Center

Salem State College
292 Loring Avenue
Salem, MA 01970
(508) 795-0556, Ext.2595

Southeastern Massachusetts Regional Office

Southeastern Massachusetts University
P.O. Box 2785
200 Pocasset Street
Fall River, MA 02772
(508) 673-9783
Clyde Mitchell, Regional Director

Central Massachusetts Regional Office

Clark University
950 Main Street
Worcester, MA 01610
(508) 793-7615
Lee Morrill, Regional Director

Specialty Centers

Capital Formation Service

West University of Massachusetts
205 School of Management
Amherst, MA 01003
(413) 549-4930, Ext. 303

East Boston College
96 College Road - Rahner House
Chestnut Hill, MA 02167
(617) 552-4091
Donald Rielly, Regional Director

Minority Business Training and Resource Center

Roxbury Community College

241 Saint Botolph Street

Boston, MA 02110

(617) 266-2028

Kenneth Edison, Director

Manufacturers Support Services Program

University of Massachusetts

Room 205 School of Management

Amherst, MA 01003

(413) 549-4930, Ext. 303

Paul Vande Geer, Program Manager

Northern Tier Project

University of Massachusetts

Marshall Hall

Amherst, MA 01003

(413) 545-4768

Michael Kane, Coordinator

EXAMPLE OF ASSISTANCE

In 1981, Mrs. Joan Vater took over as President of Vater Percussion, Inc. of Holbrook when her ailing husband could no longer manage the growing company he had started in the basement of his music store in 1979. She was referred to the MSBDC Capital Formation Service office at Boston College in 1987 when she was looking for assistance to plan and finance the expansion of the family-run company. MSBDC discussed business strategies with Mrs. Vater and helped her to secure an SBA 504 loan through the South Shore Economic Development Corporation. Vater Percussion has now expanded its employment and exports their private-label drumsticks worldwide. Mrs. Vater was named 1988 Small Business Person of the Year for Massachusetts.

BACKGROUND

The Massachusetts Technology Development Corporation (MTDC) is a state-supported, privately managed *venture capital* organization. The purpose of MTDC is to provide *venture or risk capital* to new and expanding high-technology companies which have the capacity to generate significant employment growth and other public benefits in Massachusetts. MTDC assistance provides a magnet to attract private *risk or venture capital* investments in the early stage of a firm's development.

The purpose of MTDC's investments is to:

- Help create primary employment in technology-based industries in Massachusetts;
- Attract and leverage private investment in Massachusetts companies;
- Foster the application of technological innovations where Massachusetts companies are, or can be, leaders;
- Nurture entrepreneurship among Massachusetts citizens, planting the seeds for long-term economic development in the State.

In 1978 the Legislature enacted a law creating the Massachusetts Technology Development Corporation as one of several economic development initiatives. MTDC was established to address the then existing "capital gap" for expansion of early-stage technology companies. Today, MTDC leverages approximately \$5.00 of private co-investment with every \$1.00 it invests in Massachusetts companies.

In 1986, MTDC was authorized to manage \$2 million of the Massachusetts Pension Reserves Trust.

RECORD OF ASSISTANCE

Since 1979, MTDC has invested a cumulative total of \$11.9 million in the form of *debt* and *equity investments* in 48 companies in 30 different communities across the Commonwealth. These endeavors have generated over 2,300 new jobs. Eight of the 48 companies in which MTDC has invested have become publicly-traded companies.

TYPES OF ASSISTANCE

- Investment Program. Through its Investment Program, MTDC makes both *debt* and *equity investments*, usually in the form of a direct purchase of *common or preferred stock* in combination with a *long-term loan*. Such investments are generally made as part of a joint venture with conventional private sector investors. MTDC assists companies to locate compatible private sector investors for such joint ventures.
- Technical Assistance. MTDC's Management Assistance and Financial Packaging Programs provide technical assistance to technologists and other first-time entrepreneurs attempting to start a high technology business. MTDC reviews and critiques initial business plans, advises on strategies to attract private financing, and, in some cases, refers individuals to private sources of capital. MTDC also holds workshops for new entrepreneurs.

TERMS OF ASSISTANCE

MTDC's investments typically range from \$100,000-\$300,000 for first-round institutional financing. *Debt investments*, or loans, usually have 5-6-year terms with some *equity* feature. MTDC expects a return on its *equity investment* within 5-7 years. The private investors joining MTDC in a venture usually provide two to four times the amount of capital provided by MTDC.

Interest rates and *equity* arrangements are negotiated on an individual basis. Interest rates are usually 1-2 points above the *prime rate*. MTDC evaluates *equity investments* in terms identical to those of the private co-investors. Stock purchase and loan agreements carry all of the conventional covenants of most *venture capital* investments in compliance with all applicable laws and regulations of the Commonwealth.

ELIGIBILITY

MTDC makes investments in companies which are at an early stage of their development, most often at the point where full-scale commercialization of a major new product line is the next step in the company's business strategy.

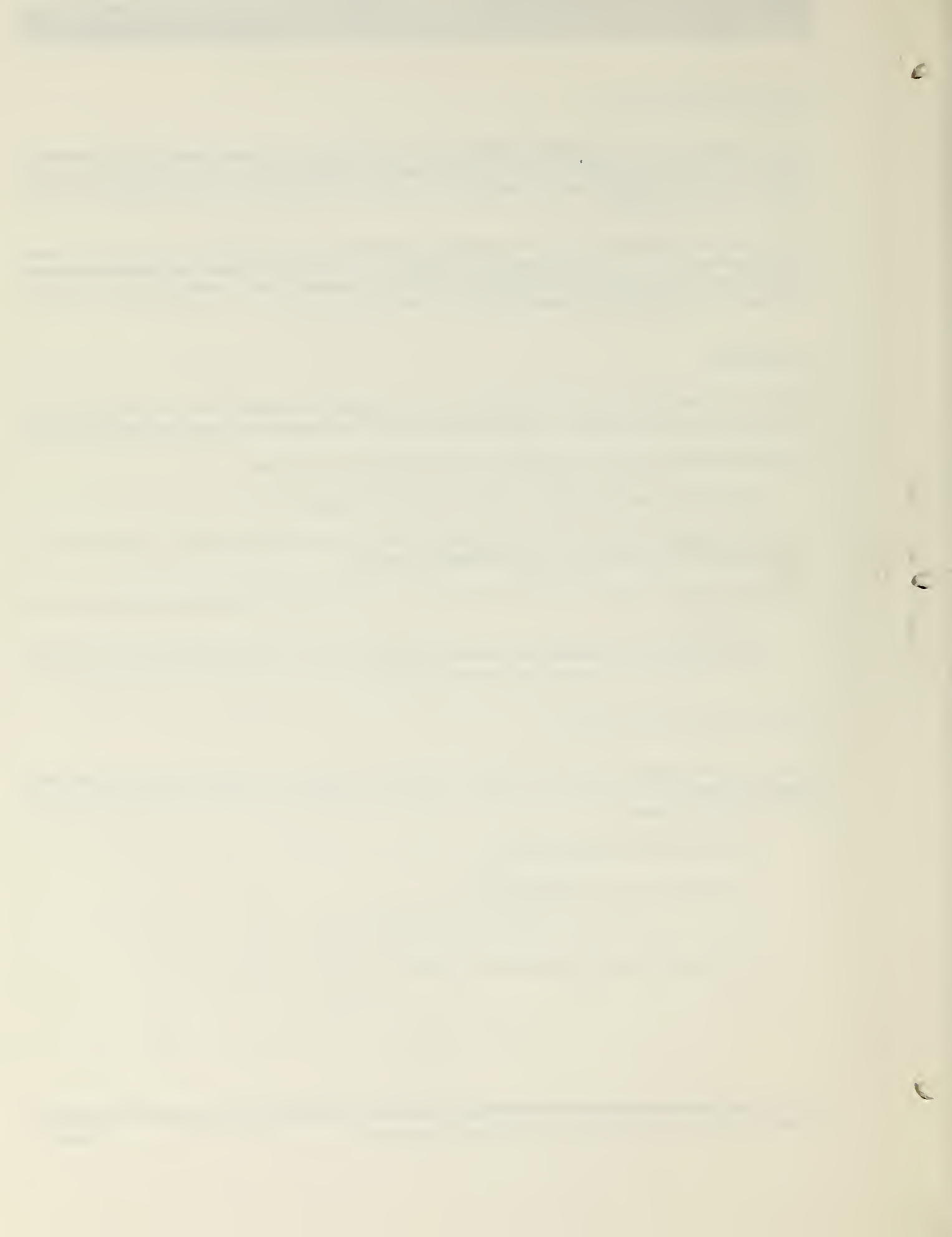
MTDC makes investments only in companies with the following characteristics:

- The company must be located in, or agree to relocate to Massachusetts.
- The company's business must be technology-based, and its principal products or services must be sufficiently innovative to provide a competitive advantage.
- The business expansion which MTDC's investment would finance must produce a significant growth in employment.
- The company must be able to demonstrate that it has been unable to secure sufficient capital on affordable terms to finance its expansion from conventional sources.

APPLICATION PROCEDURES

Applicants should submit a written business plan and a resume of the entrepreneur to the President. While the terms of each investment differ according to the needs of the particular situation, the process by which MTDC's decision is reached remains constant:

- Initial review by the professional staff;
- In-depth analysis by the professional staff;
- Review by the Investment Committee of the Board of Directors;
- Consideration and vote by the full Board of Directors.



PUBLICATIONS

Annual Report
Brochure: *Massachusetts Technology Development Corporation*
Guidelines for Applicants
List of Portfolio Companies

CONTACT

John F. Hodgman, President
-or-
Robert J. Crowley, Vice President

Massachusetts Technology Development Corporation
131 State Street
Boston, MA 02109
(617) 723-4920

EXAMPLE OF ASSISTANCE

Since MTDC's initial \$250,000 *debt/equity investment* in March 1984, Aeon Systems, Inc. of Billerica, has grown from a start-up company of three employees to a more than \$2 million computer-integrated manufacturing environment with over fifty employees. Aeonics produces and markets a fault-tolerant process control system which continuously monitors and corrects quality variations in plastic sheet material. The system increases productivity and creates savings.

In 1986 MTDC made its first investment on behalf of the Massachusetts Pension Reserve Trust in the form of third-round financing of Aeonics.

PURPOSE

The Massachusetts Technology Park Corporation (MTPC)/Massachusetts Microelectronics Center (M²C) aims to increase the capabilities of universities to offer state-of-the-art instruction in microelectronics and semiconductor technology to students in the Commonwealth. MTPC/M²C is an innovative partnership among state government, private industry and the engineering universities of Massachusetts.

The MTPC/M²C partnership seeks to ensure that the microelectronics industries which fuel the Massachusetts economy can rely on a pool of highly skilled engineers. It enables the sharing of the vast and scattered resources available across the state through a consortium which responds to the interests of students, universities, industry and government. The Center provides an efficient, coordinated means to support employment and the economic competitiveness of the Commonwealth.

The State Legislature mandated the establishment of MTPC/M²C in 1982 with an initial capital appropriation of \$20 million. Private industry has committed an additional \$30 million. The Center has established educational facilities at its Westborough Campus and its 10-member universities that provide highly technical, hands-on training in semiconductor processing and microelectronics design. These facilities have dramatically expanded the engineering curriculum available across the state.

TYPES OF ASSISTANCE

The Center acts as a broker between industry's need for highly skilled engineers and the Massachusetts colleges of engineering responsible for their academic training. It provides capital grants, technical assistance and training to member universities.

The Center's educational programs are driven by the needs of its university members and developed in collaboration with the Corporate Donors that participate in the funding and conceptualization of projects. They are currently establishing an Industrial Affiliates Program to formalize relations with new industrial partners and provide a mechanism for industry/academic partnerships and technology transfer.

The following are MTPC/M²C's member universities: Boston University, Harvard University, Massachusetts Institute of Technology, Merrimack College, Northeastern University, Southeastern Massachusetts University, Tufts University, University of Lowell, University of Massachusetts at Amherst, Worcester Polytechnic Institute.

PUBLICATIONS

Annual Report
Brochure: *Capabilities*
Fact Sheet
Quarterly Newsletter - *Micro News*

CONTACT

Dr. Richard Gold, Executive Director
Massachusetts Technology Park Corporation/Massachusetts Microelectronic Center
75 North Drive
Westborough, MA 01581
(508) 870-0312

EXAMPLE OF ASSISTANCE

In 1983, MTPC/M²C started a program to stimulate and support research and development of highly sophisticated integrated circuits — or computer chips. As part of this program, Southeastern Massachusetts University opened a new course of study in its engineering department to teach the design of integrated circuits. State funds matched by a donation of computers and other equipment from the Prime Corporation and Digital Equipment Corporation have enabled SMU students to get hands-on instruction at the leading edge of the electronics technology. While such programs enhance the job opportunities of engineering students in the Commonwealth, the development of such expertise will help the expanding electronics industry in Massachusetts become more competitive in the global market place.

BACKGROUND

The Thrift Institutions Fund for Economic Development (Thrift Fund) currently administers two lending programs: the Direct Loan Program and the Participation Loan Program that provide financing to a diverse range of projects. Areas targeted for support by the fund are:

- the development of small business;
- the support of mature industries;
- the creation of affordable and/or innovative housing;
- commercial developments located in older urban centers.

The Thrift Fund was established as a part of Chapter 485 of the Acts of 1984. In return for tax parity with the commercial banks, the more than 270 *thrift institutions* (savings banks, cooperative banks, and savings and loans associations) throughout the Commonwealth contribute to a centrally administered \$100 million lending pool to be invested in economic development projects over the life of the Fund. The Thrift Fund's paramount objective is the creation and retention of jobs in the Commonwealth.

The Fund has thus far approved over \$50 million in loans for 71 projects. These loans have leveraged additional multi-million dollar investments and will create or retain over 7,000 jobs statewide. Loans to projects in mature industries account for 55% of the total, the rest has been invested primarily in small businesses, housing and commercial projects.

TYPES OF ASSISTANCE

- The Direct Loan Program (DLP) was designed to meet the overall mandate of the Fund -- to create and retain jobs in the Commonwealth through the support of economic development projects. The DLP currently operates with origination and servicing functions provided under interagency agreement by: the Community Development Finance Corporation (CDFC), the Massachusetts Government Land Bank (LANDBANK), the Massachusetts Business Development Corporation (Mass Business), the Massachusetts Product Development Corporation (MPDC) and the Massachusetts Industrial Finance Agency (MIFA).
- The Participation Loan Program (PLP) provides joint lending arrangements with individual Massachusetts *thrift institutions* for secured loans to eligible borrowers for purposes consistent with the Thrift Fund's general goals. The program is specifically designed for cases where a sponsoring bank is willing, but unable to meet the full financing needs of a borrower because of the amount of the request, due to in-house loan limits, or because of certain credit considerations. The PLP aims to attract smaller banks to venture into less traditional types of lending.

The size of the Fund's loans has ranged from \$32,000 to \$3.5 million, with an average of approximately \$500,000. There is no established minimum or maximum.

TERMS OF ASSISTANCE

The Fund's loans are available on terms of from 1-30 years at either fixed or adjustable rates. Loans through the PLP will cover no more than 50% of total project financing. There is no required match for the Direct Loan Program.

ELIGIBILITY

The Thrift Fund's loans may be made to for-profit as well as not-for-profit entities with projects which meet the general objectives of the Fund and address the targeted areas for support.

Priority is given to: job intensive projects in areas of higher than average unemployment, support to mature industries, assistance for small businesses, development of affordable housing and commercial sites in older urban cores.

The Thrift Fund does not provide loans for *venture or risk capital*.

APPLICATION PROCEDURES

Inquiries may be made for the DLP directly to the Thrift Fund or to CDFC, LAND BANK, MASS BUSINESS, MPDC, or MIFA. Inquires may be made for the PLP directly to the Thrift Fund or through a Massachusetts Thrift Institution.

Submissions for either program generally include as a minimum; Thrift Fund summary application, business plan, financial statements, projections, appraisals, credit analysis and a recommendation from the sponsoring *thrift institution* or quasi public agency.

AVAILABLE PUBLICATIONS

Annual Reports

Brochures: *Participation Loan Program*
Examples of Projects Financed
Fact Sheet

Newsletter: *THRIFT FUNDING*

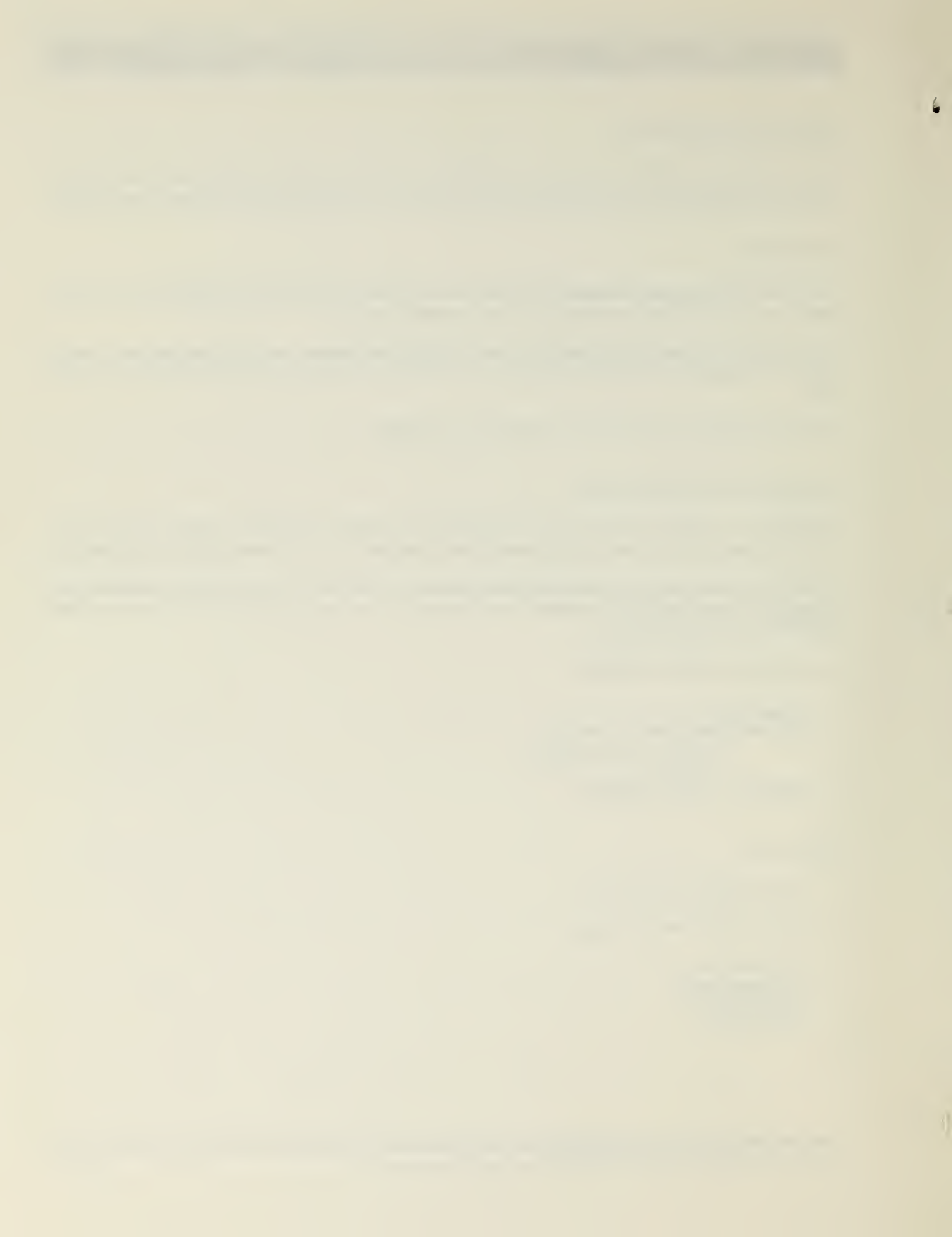
CONTACT

Paul H. Rupp, Executive Director

-or-

Michael Wilson, Program Manager

The Thrift Fund
50 Congress Street
Boston, MA 02109
(617) 227-0404



EXAMPLE OF ASSISTANCE

A small (\$150,000) Thrift Fund Participation Loan with North Easton Savings Bank achieved some remarkable results for the Breakthrough Vehicles Company of North Easton. Breakthrough uses state-of-the-art engineering to modify vans for severely handicapped drivers. The loan made it possible for this small business to expand, while it was the first commercial investment for a small local bank. Breakthrough is now able to serve the special needs of a greater number of clients.

Section III: Glossary of Terms

asset-based debt

see **debt, asset-based**

bond

a *long-term debt* instrument, secured by a *mortgage* or real property or by some other form of security; more generally, the term may be used to mean any and all fixed-income debt securities, including notes and debentures, as opposed to *stocks*.

common stock

a certificate establishing ownership of a stated number of shares in a company's stock.

convertible debt

see **debt, convertible**

convertible preferred stock

a security that can be exchanged at the owner's option for a fixed quantity of common *stock* of the same corporation.

coupon rates

the interest rates specified on interest coupons attached to a *bond*; the rate of interest stated for a debt security, not necessarily the same as the yield.

debt, asset-based

a loan based on the security of specific assets, rather than the general credit of the borrower.

debt, convertible

when the creditor has the right to exchange or convert the *bonds* or notes into common *stock* under stipulated conditions and whenever they find conversion to their advantage; bonds can be converted into some security other than common stock; the advantage of convertible debt to the issuing company is that the creditor is induced to accept a lower rate of interest and the marketability of the bonds is enhanced by the conversion privilege.

debt, investment or debt financing

a loan; the long term borrowing of money by a business, usually in exchange for debt securities or a note, for the purpose of obtaining *working capital* and other funds necessary for operating the business or for retiring current or other indebtedness; as distinguished from *equity financing*, raising money through the sale of *stock*.

debt, long-term

liabilities that become due more than one year after the signing of an agreement; usually these are formal legal agreements demanding periodic payments of interest until the maturity date, at which the principal is repaid.

Glossary of Terms

debt, medium-term

a loan with a maturity of greater than one year and less than ten.

debt, secured

any debt for which some form of acceptable collateral has been pledged; e.g., a *mortgage*, lien or other security interest.

debt, senior

loans that have a claim upon the assets and earnings of a corporation prior to other creditors; when a corporation is capitalized by means of *stocks* or *bonds*, the bonds are the senior obligations; when a corporation is capitalized without bonds, the preferred stock is referred to as the senior issue and the common stock as the junior issue.

debt, short-term

money borrowed for a period of 30 days to one year.

debt, subordinated

as contrasted with *senior debt*; when a loan contract stipulates that the debt due a specified creditor shall have a status inferior or subordinate to the debt which the debtor owes to another creditor when more than one legal entity has an interest or claim upon the debtor's assets; an existing subordination agreement will often attract other investors who will be entitled to seniority.

debt, unsecured

a debt for which no collateral has been pledged; a loan granted on the basis of a borrower's credit-worthiness and signature.

debt-equity ratio

a leverage ratio; the total debt divided by the stockholder's equity.

distance learning

the use of *telecommunications* technology to transmit educational programs to remote sites.

equity

ownership interest; net worth of a business, or the value belonging to the owners less debt.

equity capital

that portion of the total capital of a business which has been furnished by the stockholders; as opposed to borrowed capital which is furnished by corporate creditors.

Glossary of Terms

equity financing

when a corporation raises money through the sale of capital stock, rather than *debt financing* which is selling bonds or borrowing.

equity investments

ownership interest of common and preferred stockholders in a company.

exercise price

the fixed price for which a *stock* can be purchased in a call contract or sold in a *put* contract; same as the striking price; the price at which a person can exercise an option to buy or sell a stock or commodity.

first mortgage

see *mortgage, first, second or third*

fixed assets

the permanent assets required for the normal conduct of a business, which normally are not converted into cash during the period after they were declared fixed; as distinguished from current assets; e.g., buildings, equipment, fixtures, furniture, land, machinery.

industrial development bonds (IDBs)

bonds issued by a state or subdivision of a state under provisions of the Internal Revenue Code, the proceeds of which are used for projects for the development of private business; if certain conditions are met, interest on industrial development bonds is not subject to federal income tax.

investment debt

see *debt, investment or debt financing*

leveraged buyout

purchase of all of the *stock* and assets of a company for cash, with operating management and an investor group putting up a small portion of the *equity*, and institutional investors providing additional equity and the remainder of the cash in the form of debt; the *debt-equity ratio* is usually very high.

long-term debt or loan

see *debt, long-term*

medium-term debt or loan

see *debt, medium-term*

mezzanine capital

financial instrument for which the level of risk is intermediate between *equity* and *secured debt*; e.g., *subordinated debt*, royalties, *preferred stock*; mezzanine financing is generally the last round of financing before a company goes public, is acquired by a larger company or merges with other companies.

Glossary of Terms

mortgage

a conveyance of title to property to obtain the payment of a debt under the condition that the conveyance is to be void upon final payment.

mortgage, first, second or third

the words first, second or third applied to a *mortgage* indicate the priority of the interest of the mortgage in the property given as security for a debt; mortgages are ranked in the time order in which they are made unless earlier mortgagees consent otherwise.

preferred stock

a type of *stock* entitled to a fixed rate of income before the company's *common stock* is paid dividends; holders of preferred stock are often entitled to a share of the company's assets before holders of common stock can take a share.

prime (interest) rate

the current rate of interest charged by commercial banks for large loans made to its most creditworthy business and industrial customers; it is the lowest interest rate charged by the bank.

put

an option to sell a particular *stock* or commodity at a certain price for a certain time; a person who buys a put option expects prices to fall.

risk capital

see *venture or risk capital*

royalty-based financing

an investment whose repayment is based on a royalty, often a percentage of sales, negotiated between the investor and the owner of a patent, license, product or firm.

secured debt or loan

see *debt, secured*

senior debt

see *debt, senior*

second mortgage

see *mortgage, first, second or third*

short-term debt or loan

see *debt, short-term*

Glossary of Terms

SBA 503 and 504 loans

the SBA 503 Loan Program, and the SBA 504 that was created to extend it, are forms of investment assistance offered by the U.S. Small Business Administration to provide second mortgage financing at low cost for small business concerns acquiring real property and equipment when such accommodation is not available from conventional sources.

subordinated debt or loan

see **debt, subordinated**

surety bonds

bonds insured or guaranteed by a person or company that agrees to become liable for the debt; an agreement providing for monetary compensation in the event of failure to perform specified acts within a stated period.

stocks

also called equity securities or equity shares. See **common stock** and **preferred stock**.

telecommunications

communication of voice, data or video information by means of a variety of electronic technologies, including: satellite, optical fiber, coaxial cable, microwave, and broadcast media; in advanced systems bi- or multi-directional communications are possible permitting interaction among diverse locations.

teleconference

the use of *telecommunications* to enable groups of people at multiple locations to exchange voice, data or video information and to interact.

third mortgage

see **mortgage, first, second or third**

thrift institution

the general term for savings banks, savings and loan associations and cooperative banks.

unsecured debt

see **debt, unsecured**

venture or risk capital

funds invested in enterprises that do not usually have access to conventional sources of capital (banks, stock market, etc.); capitalization that is not secured by a lien or *mortgage*; venture capital is usually provided through the purchase of *equity*; venture capital investors expect that the company will increase in value by a significant amount and yield a high rate of return when the company goes public or is acquired.

Glossary of Terms

warrant

a right issued with securities entitling the holder to purchase additional securities from the same issuer at a given price and within a given time.

working capital

the excess of current assets over current liabilities, representing the capital immediately available for the continued operation of a business; it is the measure of a company's ability to meet its obligations and to take advantage of new opportunities.

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